



This is a digital copy of a book that was preserved for generations on library shelves before it was carefully scanned by Google as part of a project to make the world's books discoverable online.

It has survived long enough for the copyright to expire and the book to enter the public domain. A public domain book is one that was never subject to copyright or whose legal copyright term has expired. Whether a book is in the public domain may vary country to country. Public domain books are our gateways to the past, representing a wealth of history, culture and knowledge that's often difficult to discover.

Marks, notations and other marginalia present in the original volume will appear in this file - a reminder of this book's long journey from the publisher to a library and finally to you.

Usage guidelines

Google is proud to partner with libraries to digitize public domain materials and make them widely accessible. Public domain books belong to the public and we are merely their custodians. Nevertheless, this work is expensive, so in order to keep providing this resource, we have taken steps to prevent abuse by commercial parties, including placing technical restrictions on automated querying.

We also ask that you:

- + *Make non-commercial use of the files* We designed Google Book Search for use by individuals, and we request that you use these files for personal, non-commercial purposes.
- + *Refrain from automated querying* Do not send automated queries of any sort to Google's system: If you are conducting research on machine translation, optical character recognition or other areas where access to a large amount of text is helpful, please contact us. We encourage the use of public domain materials for these purposes and may be able to help.
- + *Maintain attribution* The Google "watermark" you see on each file is essential for informing people about this project and helping them find additional materials through Google Book Search. Please do not remove it.
- + *Keep it legal* Whatever your use, remember that you are responsible for ensuring that what you are doing is legal. Do not assume that just because we believe a book is in the public domain for users in the United States, that the work is also in the public domain for users in other countries. Whether a book is still in copyright varies from country to country, and we can't offer guidance on whether any specific use of any specific book is allowed. Please do not assume that a book's appearance in Google Book Search means it can be used in any manner anywhere in the world. Copyright infringement liability can be quite severe.

About Google Book Search

Google's mission is to organize the world's information and to make it universally accessible and useful. Google Book Search helps readers discover the world's books while helping authors and publishers reach new audiences. You can search through the full text of this book on the web at <http://books.google.com/>



HW TXR3 C

CREDIT OF

AUSTRIA-HUNGARY FRANCE GERMANY

GREAT BRITAIN RUSSIA

DURING TWO YEARS OF WAR

STALLFORTH & CO., Inc.

NEW YORK CITY

Digitized by Google

CREDIT OF

**AUSTRIA-HUNGARY FRANCE GERMANY
GREAT BRITAIN RUSSIA**

DURING TWO YEARS OF WAR

**FIGURES AND COMMENTS
RELATING TO RECENT
CREDIT AND CREDIT
OPERATIONS OF THESE
COUNTRIES.**

STALLFORTH & CO., Inc.
Equitable Building
NEW YORK CITY

Copyright 1916
STALLFORTH & CO., Inc.

HARVARD COLLEGE LIBRARY
COOLIDGE FUND

FEB 26 1943

INDEX

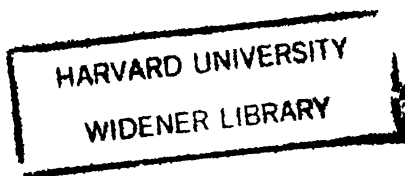
FOREWORD

TABLES AND COMMENT :

POPULATION
EDUCATION
WEALTH
ANNUAL USE OF CAPITAL
DEBTS
NOTE ISSUES

IMPORTANT CREDIT OPERATIONS :

AUSTRIA-HUNGARY
FRANCE
GERMANY
GREAT BRITAIN
RUSSIA



NEW YORK, August 15, 1916.

The following tables and comments have been arranged with a view to supplying some important data bearing on the credit of Austria-Hungary, France, Germany, Great Britain and Russia, respectively, during two years of war. In collecting the data we have consulted the Statesman's Year Book for 1915 and 1916, Statistical Abstract for the United States, 1915, Statistisches Jahrbuch für das Deutsche Reich, 1915, Economist (London), Statist (London), Commercial and Financial Chronicle (New York) and other current American, Danish, English and French authorities; current German authorities are of course at present unavailable in this country. All statistics are the latest obtainable. The general statistics, those on population, education, etc., are based on 1913 reports, the last year before the war. It has been our endeavor to secure figures facilitating a fair comparison of the finances of the five countries.

The credit of an individual, of a partnership or of a corporation is judged not only on the

basis of actual resources, but largely on the basis of ability and inclination to put them to profitable use. The data relating to education, people engaged in gainful occupations, and savings should therefore prove of special value.

Available information as to the important credit operations of Austria-Hungary, France, Germany, Great Britain and Russia during two years of war have necessarily been gathered by us from every authentic source; the figures given are the most reliable with respect to each country which could be obtained. In estimating the debts, funded and unfunded, resulting from the credit operations, we have for the sake of simplicity disregarded advances to allied countries, such as have been made, for instance, by Germany and Great Britain, recent figures of these advances being only available for Great Britain.

Chancellor of the Exchequer, Reginald McKenna, has within this month estimated the present advances of Great Britain to her allies at \$5,000,000 per day. It is an interesting thought, suggested by an American authority, that such funds as have been secured by Great

Britain in the United States have been lent to her allies in a way that should bring to Great Britain unusual trade advantages in those countries also after the war, while, on the other hand, funds which would have been available to the United States for possible permanent trade expansion, have thus been successfully tied up. In addition, the United States have taken back many hundred million dollars of domestic securities which were thought to be permanently placed abroad, while Great Britain, thanks to these very funds supplied by the United States, has been enabled to preserve her Mexican, South American, Chinese, etc., investments, and the incidental but highly important control of commerce and industry in those countries. The foreign credit operations of Great Britain reveal the sagacity of the men guiding them.

The credit operations of Germany are clearer cut and more complete than those of any of the other belligerent countries. They show, in contrast to those of the other countries, a steadily improving credit of the government. The extensive and increasing participation of

the public may also be called a noticeable feature of the German credit operations.

Some excellent pamphlets have recently been published on the complete economic resources of France, Great Britain, Russia and their allies, but none have come to our attention dealing in the same manner with Austria-Hungary, Germany and their allies. We intend to prepare such a pamphlet, following in its arrangement the ideas outlined in "Notes on the Economic Position of the Central Powers," published in this year's March number of "Modern Finance." Reprints of this article may be secured from us.

Further information on the loans of the five countries will gladly be furnished to those interested.

STALLFORTH & Co., INC.

POPULATION (1913)

	Austria-Hungary	France	Germany	Great Britain	Russia
Total (Mill.)	52	40	68	46	174
Per Sq. Mile	199	192	326	383	21

The above figures are not only important in themselves, but they will establish a basis for making per capita calculations other than those already contained in this pamphlet.

EDUCATION (1913)

	Austria-Hungary	France	Germany	Great Britain	Russia
PRIMARY	No uniform figures available; see comment.				
Secondary (Number of pupils in thousands)	240	100	406	140	452
Universities (Number of pupils in thousands)	57	41	76	35	39

The importance, under modern conditions, of primary, secondary and university education need not be emphasized, and comparison of its extent in the five countries herein dealt with should bring irrefutable conclusions.

Comparative figures bearing on the primary education are available only for France and Germany. Of every group of 10,000 French recruits all but 300, and of every group of 10,000 German recruits all but five can read and write. Similar figures are not available for England, Austria-Hungary and Russia. In Russia, however, 73 out of every 100 individuals over nine years of age can neither read nor write.

In the figures on secondary education for Germany no account has been taken of pupils attending the four highest classes of the German public schools, as figures for that degree of education are not available in the other countries.

In the university figures for Germany, students at the German commercial universities have not been included. No figures have been given on the attendance in the so-called continuation schools, these bulwarks of civic and industrial progress, as a sizeable number of such institutions exists only in Germany.

WEALTH (1913)

	Austria-Hungary	France	Germany	Great Britain	Russia
Capital (Billion \$)	45	65	80	80	60
Ann'l Income (Billion \$)	6	7,5	10,5	11,3	7,5
Total Savings (Billion \$)	8,8	14,6	23	15.1	9
Savings Bank Depositors (Millions)	1,9	1,1	4,4	1,2	0,9
Persons in gainful occupations (Millions)	22	21	28	20	Not available

There is a considerable difference of opinion among authorities in regard to the capital estimated for the various countries. We have accepted estimates mainly based on taxation results and fire-insurance figures. The widest difference in estimates exists in regard to the capital of Great Britain. They run as high as \$90,000,000,000 and as low as \$65,000,000,000; Lloyd George recently estimated Great Britain's capital at about \$75,000,000,000. This difference is probably due to the fact that the low estimate is based on tax figures only. There is still another feature of importance in estimating the capital of Great Britain. English authorities give the holdings of colonial securities in Great Britain as more than \$15,000,000,000. It is probably due to this factor that the most careful economists have hesitated to add a proportionate amount of the capital of the colonies to their estimate of the capital of Great Britain. They fear duplication.

What is true in regard to the approximate nature of the figures dealing with capital, is also true of the figures dealing with the national income per annum. On the other hand, the figures of total savings and savings-bank depositors are exact. The figures relative to the number of people engaged in gainful occupations could not be secured for Russia.

ANNUAL USE OF CAPITAL (1913)

	Austria-Hungary	France	Germany	Great Britain	Russia
DOMESTIC	No	figures available	ilable; see	comment.	
Foreign					
Total (Bill. \$)	1,3	2,9	5,4	7	2,3
Import per capita (\$)	14	42	41	84	7
Export per capita (\$)	11	32	38	69	6

We have, to our surprise, found no comparative calculations on the domestic use of capital. While the agriculturist, the forester, etc., in most cases only turn over annually a certain percentage of their capital, the manufacturer, for instance, in the majority of cases, turns over his capital at least once a year, the merchant ordinarily a few times and the banker even more frequently than the average merchant. Yet it would require a more searching inquiry than the purposes of this pamphlet permit to make such comparative estimates. We should have liked to do so, as it would probably have brought into strong relief the small percentage of the foreign use of national wealth as compared with its domestic use.

DEBTS.

	Austria-Hungary	France	Germany	Great Britain	Russia
Funded previous to the war. (Billion \$).	3,8	6,3	1,2	3,4	4,5
Per capita (\$)	73	157	18	74	26
Funded and unfunded during the war until August 1st, 1916. (Billion \$).	5,6	8	11,5	12,3	10,4
Per capita (\$)	108	200	169	267	65
Funded during the war until Aug. 1st, 1916. (Billion \$).	3,9	5,3	9,1	4,9	2,5
Percentage of war debts not funded until Aug. 1st, 1916.	31	34	21	60	76

The figures are self-explanatory. We might properly have included under debts the uncovered note issues, but the question of note issues seemed far-reaching enough to be dealt with in a separate table, which follows. The details of the important credit operations of the various countries are to be found on separate tables.

NOTE ISSUES.

	Austria-Hungary	France	Germany	Great Britain	Russia
TOTAL (Million \$)					
Middle of July, 1914.	455	1210	500	145	815
Middle of July, 1916.	Not Available	3220	1735	805*	3205 June 21
NOT COVERED BY COIN OR BULLION. (Million \$)					
Middle of July, 1914.	135	260	80	None	None
Middle of July, 1916.	Not Available	2195	1110	485**	2400
NOT COVERED BY COIN OR BULLION PER capita (\$)					
Middle of July, 1914.	2,5	6,5	1	None	None
Middle of July, 1916.	Not Available	55	18	10	14

* Notes 180; Currency Notes 625.

** Currency Notes.

In Great Britain note issues have not, in the past, had the importance possessed by those made in other European countries. Bank credits, expressed in "deposits," largely took the place of currency, a condition made feasible through the extensive use of checks. Nevertheless "currency notes," as distinct from the gold-covered Bank of England "notes," have now been issued as a British war measure. In addition to this currency expansion, "deposits" in Great Britain have increased to such an extent that English authorities have freely commented on the "inflation" thereby indicated. For instance, the deposits of four leading British banks have increased from 1.8 billion dollars on June 30, 1914, to 2.5 billion dollars on June 30, 1916, an increase of nearly 40 per cent. Five billion dollars would be a conservative figure of Great Britain's total bank deposits on June 30, 1914. An increase since then of only 20 per cent. or one billion dollars would amount to a per capita charge of \$22, this in addition to the per capita charge of \$10 on account of uncovered currency notes so far outstanding.

In this connection it is interesting to recall a statement by Sir Edward H. Holden, Chairman of the London City and Midland Bank. On January 28 a. c., at the annual meeting of his bank, he said: "If, at the close of this war, we are still a free market for gold, we have scored a financial triumph as important to the country as a great victory in arms." Such an authority as the *Financial and Commercial Chronicle* (New York) has stated in its issue of August 5, 1916: "The Bank of England announced this week that temporarily it would discontinue the publication of its daily statement of the movement of gold. It is understood that the recent daily statements have not been entirely accurate. The regular weekly reports of Threadneedle Street will, according to London correspondents, continue to register the net gold movement. But even at this point there seems encouragement to doubt the entire accuracy of the published figures." The *New York Tribune* of August 10 contained a careful analysis of the London gold movements. After making most liberal allowances the analysis

found a discrepancy of 75 million dollars between the Bank of England statements of gold holdings and the known gold movements. A less liberal allowance, so it was stated, would have shown a discrepancy of more than twice this figure.

IMPORTANT CREDIT OPERATIONS.

On the following pages the significant credit operations of Austria-Hungary, France, Germany, Great Britain and Russia, during the two years of war, are tabulated. In addition to funding operations of one or the other type, advances from the State Banks, sale of short term obligations at home and abroad, etc., all belligerent countries have arranged for special taxation in order to meet a certain percentage of their war expenditures. Great Britain has probably gone further in this regard than any of the other countries. Uniform figures are unfortunately not available. The taxation of war profits, generally adopted, and income tax rates such as the 41½% on large British incomes as compared with only 13% on the same incomes previous to the war, show the drift of these revenue measures.

AUSTRIA-HUNGARY

	Date of Issue	Character of Loan	Issue Price	Result in 1,000,000 Dollars
FIRST LOAN				
Austria	Nov. 1914	5½% Treasury Bills falling due at par April 1, 1920 . .	97½	440
Hungary	Nov. 1914	6% Stock not redeemable till Nov. 1, 1920	97½	234
SECOND LOAN				
Austria	May 1915	5½% Stock not redeemable till 1925.	95¼	537
Hungary	May 1915	6% Stock not redeemable before 1921; or	98	} 224
		5½% Stock not redeemable before 1925.	91⅓	
THIRD LOAN				
Austria	Oct. 1915	5½% Treasury Bills not redeemable before Oct. 1, 1930.	93⅓	841
Hungary	Oct. 1915	6% Rente, not redeemable before May 1, 1921.	98	396
FOURTH LOAN				
Austria	May 1916	(1) 5½% Treasury Bills repayable at par on June, 1923.	93	425
Hungary	May 1916	(2) 5½ Bonds to run for 40 years . . .	95½	463
		(1) 6% Rente not redeemable before Nov. 1, 1921 . . .	97⅓	} 360
		(2) 5½% Treasury Bills not redeemable before June 1, 1926.	91⅑	

TOTAL 3,920

**Analysis of the subscriptions to the first three Austrian
loans (amounts in Mill. \$):**

	First Loan	Second Loan	Third Loan
Ordinary Banks . . .	46	69	135
Savings Banks . . . }		85	119
Co-Operative Societies }	86	19	34
Insurance Companies .	21	23	33
Public Fund	25	38	53
Private Individuals . .	262	303	467
	440	537	841

More than two-thirds (about 69%) of the war expenditures have been funded. Advances by the Austro-Hungarian State Bank, loans from German bankers and taxation have met the balance of war expenditures.

FRANCE

	Mill. \$
"Loan of Victory" 5s at 87 on 5.75% basis, November, 1915	3,000
National defense bonds, ten-year 5%, 1915....	1,400
National defense obligations, ten-year 5%, 1916	600
Anglo-French loan, 5%, October, 1915.....	250
<hr/>	
Total	5,250

Nearly two-thirds (about 66%) of the war expenditures have been funded. Advances by the Bank of France, loans by Great Britain, sales of short-term securities at home and abroad and taxation have paid for the balance of the war expenditures.

The Bank of France has the power to lend \$1,800,000,000 to the French Government. In the first week of July, a. c., all but \$180,000,000 of this lending power had been exhausted. It may therefore be expected that the French Government will very soon, certainly not later than September, attempt an important funding operation.

GERMANY

	Date of Issue	Character of Loan	Issue Price	Results (Mill \$)
First Loan	Sept. 1914	(1) Two hundred fifty million dollars of 5% Treasury Bills falling due on Oct. 1, 1920	97½	250
		and (2) 5% Imperial Loan, not redeemable before Oct. 1, 1924 .	97½	865
				<u>1,115</u>
Second Loan	March 1915	(1) 5% Treasury Bills (no amount fixed) falling due on Oct. 1, 1922	98½	} 2,265
		and (2) 5% Imperial Loan, not redeemable before Oct. 1, 1924 .	98½	
Third Loan	Sept. 1915	5% Imperial Loan, not redeemable before Oct. 1, 1924	99	3,025
Fourth Loan	March 1916	(1) 4½% Treas. Bills (no amount fixed) falling due on July 1, 1932	95	} 2,678
		(2) 5% Imperial Bonds falling due on Oct. 1, 1924	98½	

TOTAL 9,083

Analysis of the subscriptions to each of the four loans:

Size of Subscriptions	FIRST LOAN		SECOND LOAN	
	No. of Subscribers	Amt. (Mill. \$)	No. of Subscribers	Amt. (Mill. \$)
\$ 50	231 112	9	452 113	18
75-500	694 947	175	1 661 110	398
525-5 000	233 342	334	541 467	198
5 025-25 500	15 213	181	34 149	393
over 25 000	2 621	416	5 224	667
TOTAL	1 177 235	1 115	2 694 063	2 265

Size of Subscriptions	THIRD LOAN		FOURTH LOAN	
	No. of Subscribers	Amt. (Mill. \$)	No. of Subscribers	Amt. (Mill. \$)
\$ 50	984 358	33	2 406 118	51
75-500	2 307 030	535	2 322 594	498
525-5 000	623 664	906	503 810	705
5 025-25 000	42 930	504	39 461	428
over 25 000	8 436	1 047	7 662	996
TOTAL	3 966 418	3 025	5 279 645	2 678

Nearly four-fifths (about 79%) of the war expenditures have been funded. The comparatively small balance has been met by advances from the Reichsbank, by treasury bills sold at home and abroad, and by taxation.

GREAT BRITAIN

The following statement shows comprehensively the various borrowings from the beginning of the war to July 22, 1916:

		Mill. \$
* Treasury Bills	1914-1916	4,080
3½ % War Loan on 3.97 % basis	1915	1,660
3 % Exchequer Bonds	1914-1915	160
4½ % War Loan on 4.58 % basis	1915	2,915
5 % American Loan	1915	250
5 % Exchequer Bonds	1915-1916	1,495
* War Expenditure Certificates	1916	78
* War Savings Certificates	1916	47
Other Debt	1915-1916	100
Ways and Means Advances	1916	110
Total		10,895

*See comment.

Nearly two-fifths (about 40%) of the war expenditures have been funded. The balance has been met by credit operations as indicated above and by taxation.

The nominal rates of interest for the short term Treasury bills compare as follows:

	April, '15	August, '15	July, 15, '16
3 months bills...	2¾	4½	5½
6 months bills...	3⅝	4½	5¾
9 months bills...	3¾	4½	5¾
12 months bills...			6

According to the London *Times* of July 15, the real interest rate of the one-year Treasury Bills amounts to 6¾%, and of the two years' War Expenditure Certificates to 6⅛%. War Savings Certificates are being sold at 15½ shillings for a certificate redeemable at £1 five years after date of purchase. The interest rate of this form of loan amounts to over 5%. The delay in funding the large floating debt is probably due to the undertaking

of the English Government to adjust the rate of interest of previous loans to any higher rates that might have to be paid on subsequent loans. While some English critics advocate that the government should rescind this agreement, the prevailing opinion seems to be that the next domestic loan will be at a forced rate of interest; in other words, that there would be a conscription of capital.

RUSSIA

	Mill. \$
First internal 5s at 95 on 5.35% basis, October, 1914	258
Second internal loan 5%, February, 1915.....	258
Third loan, five-year 5½s, May, 1915.....	515
Fourth loan, ten-year 5½s at 95, November, 1915	515
Fifth loan, 5½s at 95, April, 1916.....	515
Exchequer bonds 4%, March, 1915.....	309
Special currency loan	103
Total.....	2,473

Nearly one-fourth (about 24%) of the war expenditures have been funded. The balance has been met by advances from the Bank of Russia, by loans from Great Britain and France, by the sale of short-term obligations at home and abroad, and by taxation.

THE UNIVERSITY OF CHICAGO
LIBRARY
1100 EAST 58TH STREET
CHICAGO, ILL. 60637

